

Message Text

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ORIGIN OPIC-06

INFO OCT-01 NEA-10 EB-07 ISO-00 AID-05 (ISO) R

DRAFTED BY OPIC/ID/NEA:LPHOLLYWOOD:JC

APPROVED BY EB/IFD/OIA:RJSMITH

EB/IFD/OIA:DHSTEBBING

OPIC/P:EBURTON

OPIC/ID/NEA:FMCLJOHNSTON

OPIC/ID/DVP:AMKRAMISH

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R 050740Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: FGA'S FOR OPIC INVESTMENT INSURANCE

REF: (A) HOLLYWOOD/NOWAK MEMO DATED 7/16/76

(B) NEW DELHI 12458

1. OPIC THANKS EMBASSY FOR INITIAL APPROACH TO GOI RE
CHANGE IN FGA LANGUAGE.

2. THREE COPIES OF BILATERAL AGREEMENT AND SUPPLEMENTS
BEING POUCHED SEPARATELY.

3. BEGIN LOU: YOU MAY WISH TO ADVISE GOI THAT THIS
DEPARTURE FROM A LONG ESTABLISHED METHOD HAS ALREADY HAD
NEGATIVE EFFECTS ON OPIC'S ABILITY TO ENCOURAGE INVESTOR
INTEREST IN INDIA. INVESTORS AND OPIC HAVE DIFFICULTY
UNDERSTANDING WHY, AFTER TORTUOUS PROJECT APPROVAL PROCESS,
CERTAIN ALREADY APPROVED ELEMENTS, E.G. TECHNICAL
ASSISTANCE AGREEMENT, ARE NOT ABLE TO BE COVERED UNDER
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OPIC INSURANCE PROGRAM. SUCH INCONSISTENCIES ONLY

INCREASE APPREHENSION ABOUT INVESTMENT IN INDIA.

4. OPIC POLICY OF PROVIDING MATCHING RETAINED EARNINGS

COVERAGE, I.E., 90 PERCENT OF INVESTMENT PLUS AN EQUIVALENT AMOUNT OF EARNINGS RETAINED IN THE BUSINESS, ENCOURAGES REINVESTMENT OF PROFIT IN THE FOREIGN ENTERPRISE (WHICH IS WHAT THE HOST GOVERNMENT PRESUMABLY WISHES TO ENCOURAGE). INABILITY TO OFFER MATCHING COVERAGE ENCOURAGES INVESTOR TO REPATRIATE HIS SHARE OF PROFITS AS SOON AS POSSIBLE, THUS RESTRICTING GROWTH OF FOREIGN ENTERPRISE AND DRAWING ON INDIA'S FOREIGN EXCHANGE.

5. A SPECIMEN FGA IS BEING SENT WITH THE AGREEMENTS WHICH SHOWS THE APPROVAL LANGUAGE USED BY THE GOVERNMENT OF THE MAJORITY OF COUNTRIES IN WHICH OPIC HAS ACTIVE PROGRAMS. BY APPROVING THE PROJECT, RATHER THAN SPECIFIC AMOUNTS OF INVESTMENT FOR SPECIFIC PURPOSES, THIS FGA AFFORDS THE FOREIGN ENTERPRISE, THE INVESTOR, AND OPIC MUCH GREATER FLEXIBILITY THAN THE HIGHLY RESTRICTIVE LANGUAGE USED BY THE GOI. END LOU

6. IF EMBASSY CAN ELICIT MOTIVES FOR CHANGE IN GOI POLICY OPIC MAY BE ABLE TO BE MORE HELPFUL IN RESPONDING. DECONTROL AFTER SEPTEMBER 1, 1977. ROBINSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, INSURANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 05 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE220692
Document Source: CORE
Document Unique ID: 00
Drafter: LPHOLLYWOOD:JC
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760337-0129
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760988/aaaacxqb.tel
Line Count: 86
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 NEW DELHI 12458
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUN 2004 by buchant0>; APPROVED <02 NOV 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FGA'S FOR OPIC INVESTMENT INSURANCE
TAGS: EINV, IN, OPIC
To: NEW DELHI
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006